

# OFFICE OF AUDITS & ADVISORY SERVICES



## NEIGHBORHOOD REINVESTMENT PROGRAM AND COMMUNITY ENHANCEMENT PROGRAM ADMINISTRATION

### *FINAL REPORT*

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# County of San Diego

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TREASURER-TAX COLLECTOR

December 19, 2013

TO: Tracy M. Sandoval  
Deputy Chief Administrative Officer/Auditor and Controller

FROM: Juan R. Perez  
Chief of Audits

### FINAL REPORT: NEIGHBORHOOD REINVESTMENT PROGRAM AND COMMUNITY ENHANCEMENT PROGRAM ADMINISTRATION

Enclosed is our report on the Neighborhood Reinvestment Program (NRP) and the Community Enhancement (CE) Administration. As there are no findings and recommendations in the report, no audit response is required.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ  
Chief of Audits

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Enclosure

c: Brian M. Hagerty, Group Finance Director, Finance and General Government Group.

## INTRODUCTION

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**Audit Objective**

The Office of Audits & Advisory Services (OAAS) completed an audit of the Neighborhood Reinvestment Program (NRP) and the Community Enhancement Program (CE) Administration. The objective of the audit was to assess the adequacy of the administration controls over the NRP and CE.

**Background**

The NRP and the CE are discretionary programs that allow the County of San Diego (County) to reinvest taxpayer money into the communities for the benefit of the public. Each Board member recommends the allocation of grant monies based on proposals offered by eligible organizations.

The NRP provides grant monies to County departments, public agencies, and non-profit community organizations for the funding of one-time community, social, environment, educational, or recreational needs.

The CE provides grant monies to fund cultural activities, museums, visitor and conventions bureaus, economic development councils, and other similar organizations including County programs and projects, which promote and generate tourism and/or economic development within the County.

The Auditor and Controller's Office of Financial Planning (OFP) acts as the NRP and CE's fiscal agent for the Board of Supervisors (BOS). OFP's responsibilities include:

- Working closely with the BOS Offices and County Counsel to initiate timely payment of grant awards by compiling grant agreements and purchase requisitions.
- Reviewing grantees' compliance with grant provisions by providing general guidance on properly accounting for grant funds and meeting grant deadlines.
- Reviewing documentation of costs submitted by grantees and following-up to determine whether expenditures are made in accordance with grant terms.
- Monitoring the remaining available balance for each program by BOS District Office.

**Audit Scope & Limitations**

The scope of the audit focused primarily on OFP's roles and responsibilities associated with the administration of the NRP and CE during FY 2011-12.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed

by the Institute of Internal Auditors as required by California Government Code, Section 1236.

## Methodology

OAAS performed the audit using the following methods:

- Reviewed policies related to the NRP and CE.
- Interviewed key personnel regarding applicable policies and procedures.
- Assessed the risks of not achieving key administration objectives independently and in coordination with OFP management.
- On a sample basis, conducted the following audit procedures for NRP and CE awards:
  - Reviewed grant applications, awards, and related Board Letters.
  - Reviewed expenditure support and compared to the purpose outlined in the respective grant agreements.
  - Reviewed and recalculated NRP award reconciliations.
  - Reviewed delinquency follow-up and collections procedures.
  - Reviewed reallocation of grant funds procedures.
  - Assessed the user access rights to the system used for grant administration (WAVE).

## AUDIT RESULTS

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### Summary

Within the scope of the audit, there is reasonable assurance that NRP and CE administration controls are in place and operating effectively. To further strengthen controls and improve their effectiveness, OAAS presents the following observation.

### Observation:

#### **Opportunities Exist to Strengthen the Controls Over the Eligibility Determination Process**

Prospective NRP and CE grantees must include profit and loss financial information in their application. This information is necessary to ensure the organization's financial solvency, as required by BOS Policy B-072 and to determine whether the grant request meets certain eligibility requirements. For example, according to BOS Policy B-58, the County's contribution may not exceed 50% of the recipient's current fiscal year operating budget.

OAAS noted that review of financial information submitted by grant applicants may not have been consistently performed as part of the

grant approval process. Specifically, the financial information included in one NRP grant application selected for review during the audit contained errors that were not identified prior to grant approval.

A detailed review of financial information that focuses on specific grant requirements prior to awarding funds should be consistently conducted.

### Office of Audits & Advisory Services

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